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PROBLEMS BEFORE THE SHIPPING BOARD¹

RAYMOND B. STEVENS

United States Shipping Board

ALMOST every department in Washington considers that its work is the most important thing in the war. The Shipping Board is no exception; I want to state to you today what the problem of that board is, and how it is actually being met.

The problem of shipping in the war is two-fold: First, it was the task of the Shipping Board to create enough new tonnage to carry the necessary food and munitions to the Allies, and to move an army to France. Second, it was the duty of the Shipping Board to see that the tonnage already in existence was used to the best advantage, and solely for war purposes. Congress gave the Shipping Board nearly two billion dollars of money for its program of ship construction, and conferred upon the board very broad powers in the way of commandeering both ships under construction and any necessary material to go into ships. Up to the present time, the board has let contracts for nearly a thousand ships, of over eight million tons dead-weight carrying capacity. Of course, not all those ships are under construction, because to build that amount of shipping required the construction of many new yards, and it takes a considerable time to build a yard. Furthermore, the building program of the navy, including its torpedo-boat destroyers, had already occupied sixty-five per cent of the old, well-established steel yards, leaving only thirty-five per cent available for the construction of merchant tonnage by the Shipping Board. Consequently, we have had to turn largely to new yards and new firms, and it takes time, of course, to build up such organizations.

We planned to turn out at least six million tons in the year 1918. We may do better; I think that at least so much is possible. We need above everything else, of course, for the construction of these ships, the co-operation of labor. It is possible to commandeer materials, but you cannot commandeer men; the most vital problem in the construction of ships is to secure the

¹ Address at the meeting of the Academy of Political Science, December 14, 1917.

necessary labor for the shipyards. That means increasing the number of men now in the shipyards, of whom there are perhaps one hundred thousand. When the full program is under way, it will mean probably three to four hundred thousand men, and a great many of these men must be skilled.

The Shipping Board has already in operation, in co-operation with the Department of Labor, the beginnings of a public employment agency whose business it will be to secure the additional help. We find it almost impossible to leave this question of securing the necessary help to the private contractors to whom these contracts have been let. Each has a different method, each is trying to draw from other yards and perhaps other essential industries. We propose that the demand of each yard for men at the present time and for progressive periods of time be turned over to this public employment agency, which will distribute that demand throughout the local employment agencies and the present existing state agencies and new agencies which we will create.

We have also established a school for the instruction of men. Ordinarily in these plants there exists no method by which men are taught the trade. There are many men, of course, who are skilled in the trade but are not skilled in teaching, and we have set up a training school at Newport News, to which some of the best men from the private yards are sent to receive instruction at the government expense in the methods of teaching unskilled labor.

Of course, you must not only get men, but keep them continuously employed, and it has become apparent, not only to the Shipping Board, but to the army and the navy in their building program, that we must secure the full co-operation of labor. That is the most difficult problem of all. So far the government has had the active support of the leading men in the trade unions in working every plan devised for settling disputes without strikes, and in deciding in advance some of the general policies which ought to prevail throughout the war. Of course, there have been some strikes. It is impossible for any scheme to be perfect, but we feel confident that with a fair attitude on the part of the government toward labor, with the establishment of uniform wages for the same class of labor in every district, and with the maintenance of proper conditions in the plants, we can keep continuously employed the men that are needed in these plants. Let me point out only one of the difficulties. We have to divert to certain shipbuilding yards thousands and thousands

of additional men. In many of those places there are not suitable housing quarters for the men; there is in fact no place for the men to live. Consequently, we have had to go into an extensive scheme of supplying, or helping contractors to furnish, good houses for the men. We have also established a bureau whose business it is to see that the sanitary conditions in all the plants are as good as they ought to be, and that the plants are made as comfortable as possible for the men.

In connection with the construction of ships, I might point out that there do not exist today in this country sufficient trained officers or able seamen to man the fleet we are building. The Shipping Board has also taken up that matter. It established some time ago free navigation schools in all the principal ports on the Atlantic coast, the Gulf coast, and the West coast, at which able seamen, who have already had experience at sea, may learn navigation and thus become available as officers. We have also established eight or ten schools for the training of engineers, open primarily to men aboard ship who have had some experience as water tenders and oilers in the care of engines, and also open to stationary engineers. As to officers, then, the plans of the Shipping Board will provide the necessary men for the ships.

We have just recently started a system of training seamen. Of the men now on American merchant ships below the rank of officers, that is, of the ordinary seamen, firemen, coal passers, and water tenders, sixty-five per cent are of alien citizenship. During the war, we feel it desirable that as many men as possible aboard our ships should be American citizens, and we have recently started a free training school for sailors and firemen. We feel, therefore, that when the ships are built and ready, we shall have the force to operate them.

The other problem which has confronted the Shipping Board is the control of the existing tonnage and its use for war purposes. That problem has presented many difficulties. Congress gave the Shipping Board full power to commandeer or requisition any ships under the American flag. Acting under that power, the Shipping Board in October requisitioned or took over the use of all American ships of over twenty-five hundred tons dead-weight carrying capacity. At the present time, therefore, practically all the American merchant marine fit for overseas trade, whether going into the war zone or to South America or the Orient, is under the direction of the Shipping Board.

There were two ways of doing the requisitioning. To take from the merchant marine as they were needed, ship by ship, such ships as were required for direct war purposes, was one method. The other method, which every other country in the war has finally been driven to adopt, and which we adopted, was to take all ships above a certain size.

There are two reasons for the policy. First, a large part of our commerce, outside the direct war trade to Europe, is none the less intimately connected with war needs. We must have nitrates from South America to make powder and munitions; we must have manganese ore from South America, and chrome ore from the Orient to make steel. A certain minimum amount of rubber and jute and other materials must be imported to keep going the industries which are supplying essential war material. In order to look after that trade, and to see that the ships which go to the Orient bring back, not those cargoes which will pay their owners the highest freight rate, but those cargoes which the government needs, without regard to the freight rate, we have taken over all ships under the American flag. They are taken over on a basis of payment by the government of a fixed flat rate per month per ton. That rate was figured to give a fair return upon the value of the property and no more.

That brings me to the other reason why we decided to adopt a general sweeping policy of requisitioning, namely, that there might be some control by the government of charter rates and freight rates. Of course, one of the first effects of the submarine campaign upon shipping was to send up the price of charters and to raise freight rates; as more ships were sunk and the need of ships increased, the rates continued to increase until they reached a point previously undreamed of in the shipping business. I will give you a few examples of what the freight rates and charter rates on ships were before the requisition power of the Shipping Board was put into effect.

The general charter rate on cargo steamers in the spring of 1914 was one dollar per dead-weight ton per month. That was the ordinary form of hiring a ship. The owner rented it out to some merchant or some shipping company, which paid one dollar per ton per month for the dead-weight carrying capacity of the ship. In 1917 these charter rates on ships—and ships going into safe trades, not into the war zone—had gone up to between thirteen and fourteen dollars a ton, 1,300 per cent.

For steamers on voyages to the war zone, in 1917 charters were made at rates as high as twenty-one dollars per ton per month from New York to Genoa, and twenty dollars per ton per month from New York to France, the charterer in addition having to pay the war risk, which has been an enormous expense, as all these ships have been valued on the basis of what they could earn. The insurance issued on vessels during the war has been based, not upon the cost or the pre-war value of the ships, but upon their war value; that, of course, like the value of other property, has been based upon what they could earn, and they could earn almost anything they chose to charge, because people had to have ships. Accordingly, the value of ships went up from, perhaps fifty, sixty, and seventy-five dollars a ton, to one hundred and fifty, two hundred, two hundred and fifty and even three hundred dollars a ton. Many ships were insured at these high values at the high war rate, which made the war-risk insurance an enormous burden upon the carrying business.

The freight rates charged for carrying commodities in ships went up even more. Rates on cotton in the spring of 1914 from Savannah to Liverpool were thirty-five cents per hundred pounds, and to Genoa fifty-five cents. Rates in the spring of 1917 were at the level of six dollars per hundred pounds to Liverpool, or one hundred and twenty dollars a ton freight on cotton. The rate to Genoa rose to ten dollars per hundred pounds, or two hundred dollars a ton. Other commodities moved at similar high rates. Now these high rates were, of course, the ordinary result of the play of supply and demand, but they proved, of course, a great burden to all our allies in Europe, who had to pay these enormous freight rates and charter rates. They were also a burden to this country, because we had to pay the high rates on imports coming into this country.

So we took over all these boats at a much lower rate; and it has been the policy of the board to charge on all government cargoes, or on all cargoes moving to any nation associated with us in the war, for the account of that government, a rate which will just cover the cost to the Shipping Board and no more; so that the supplies which go direct to those governments will move at the low rates. We have not yet in many instances undertaken to lower the freight rates on commodities moving to private individuals and private firms. The reason for that is that until there is some general movement on the part of all the Allies to

lower these freight rates, our action would probably have little effect on the general situation. If we lowered the freight rate today on private merchandise shipped to firms in Italy or France or England, we should not affect at all the prices at which those commodities are sold in those countries. The amount which we can move is comparatively small; reducing the freight rate would not move another pound, and the goods are being sold in that market at high prices on account of a shortage which has existed ever since the serious sinkings of ships took place. To reduce the high freight rates on these commodities today, then, would merely transfer or give a high profit to the private merchants in those other countries, or in some instances to our own merchants here. But in every instance where the Shipping Board can see that the lower rate to be charged upon commodities moving in these ships will benefit the public, either here or in the Allied countries, then the rates have been and will be reduced.

Of course, the Shipping Board, like every other government institution during the war, is coming in for some share of criticism. I realize probably as keenly as any man how far the Shipping Board has fallen short of what it is theoretically possible to do. But some of the people who have criticized the board and the other departments of government have no realizing sense of what the obstacles are. It is not difficult, in a country like Germany, which has been strongly centralized and organized during peace times, to turn the industry and power of the nation directly to a war purpose at short notice; but it is a huge task in this country to take our great diversified industries, carried on by private individuals, under no government control, and to organize and direct them for government uses. That cannot be done in a short time by any human being. It means the creation of a large organization; it means the determination and settlement of many difficult and troublesome questions of policy.

I do not know that there is any use in going over past controversies, but I feel that in justice to the men involved, I ought to say here something which I think has not hitherto been stated anywhere. The so-called controversy between General Goethals and Mr. Denman, while it occupied a good deal of space in the public press, did not as a matter of fact interfere much with the construction of ships; during the time that the trouble was discussed in the press the work of letting contracts, of building up the organization to look after them, of deciding what kind of ships should be built,

of making plans for building the big fabricated steel plants and fabricated steel ships—all those plans went ahead, contracts were signed, and there was practically no interference or slowing down of the shipbuilding program as a result of that difficulty.

I noticed the other day, in one of the best-known weeklies of the country, a long article on the Shipping Board, which contained just comments and some inaccurate statements. For instance, it stated that the Shipping Board had requisitioned a great many ships for the use of the army, and that it had taken nearly all of those ships from those which were in service to France, thus robbing France of her necessary ships. As a matter of fact, of the ships that have been taken by the Shipping Board for the army, there are practically none that were serving France. They have been taken from other trades and from the German ships which were seized here. The Shipping Board has given directly for the use of France some of the German ships and some ships in other American trades.

Of course, when there is not shipping enough to go round, there is bound to be a good deal of complaint, a good deal of trouble, a good deal of criticism as to what use is made of the ships; and today, without regard to private interests, without regard to the effect upon the finances or profits of our merchants, whenever we find ships necessary for the army or for the nitrate trade or for the war trade, we reach out and take them from some trade not so essential. Of course, every time that this is done, sore spots are created, but the war can be won on no other basis.

During the next six months a great many more sacrifices will have to be made by American business men in the matter of ships. The new ships planned will not be ready for use in any great number until well along in the spring, and there exists now such a serious shortage of tonnage, and the army plans are so extensive, that in order to serve the war needs, it will be necessary to pare to the bone every bit of water-borne commerce, and all ships under the direction of the Shipping Board will have to be devoted solely to war purposes, either direct war trade to Europe or trade directly connected with the manufacture of war supplies in this country. That is not a pleasant task nor an easy task, but it must be done and is being done. Those are, as I said at the beginning, the two main duties of the Shipping Board, to create the necessary new tonnage and to control and direct the use of all tonnage for war purposes.